Investor Sentiment In Equities Shifted After Midyear

S&P 500 Index & S&P 500 Sector Index Total Returns

Category	6/30/15-6/30/16	6/30/16-11/8/16	11/8/16-11/14/16
S&P 500 Index	3.98%	1.94%	1.18%
Consumer Disc.	3.78%	0.89%	1.12%
Consumer Staples	18.66%	-4.30%	-4.48%
Energy	-3.92%	-0.37%	0.51%
Financials	-4.21%	7.58%	10.85%
Health Care	-2.02%	-4.82%	2.81%
Industrials	7.01%	3.13%	5.24%
Info. Tech.	4.79%	12.14%	-3.05%
Materials	-2.04%	1.95%	2.11%
Real Estate	18.67%	-9.19%	-1.69%
Telecom. Services	25.14%	-14.27%	-2.44%
Utilities	31.47%	-6.54%	-6.51%

Source: Bloomberg. Past performance is no guarantee of future results.

View from the Observation Deck

1. Today's blog post features the total return performance of the S&P 500 Index and its 11 major sectors over three specific time periods.
2. The shift in investor sentiment that we eluded to pertains to the sell-off in those sectors that performed extremely well for the 12-month period ended 6/30/16 (see chart). We are referring to Utilities, Telecommunication Services, Real Estate and Consumer Staples, which posted total returns ranging from 18.66% to 31.47%.
3. For comparative purposes, from 1926 through 2015, the S&P 500 Index posted an average annual total return of 10.02%, according to Ibbotson Associates/Morningstar.
4. In aggregate, investors may have favored these sectors in the period due to their relatively attractive stock dividend yields in the current low-rate, low-growth climate, in our opinion.
5. While the Federal Reserve has refrained from raising short-term interest rates after hiking them by 25 basis points on 12/16/15, the Fed has signaled in recent months that it is poised to raise the federal funds rate if the data supports it.
6. From 6/30/16 through 11/8/16 (election day), the yield on the 10-year Treasury-note (T-note) rose from 1.47% to 1.86%, or a gain of 39 basis points, according to Bloomberg. The yield on the 10-year T-note then spiked from 1.86% on 11/8/16 (election day) to 2.26% on 11/14/16, or a gain of 40 basis points. In all, the yield on the 10-year T-note increased by 79 basis points since 6/30/16.
7. The steep rise in rates, due in part to comments from the Fed and President-elect Donald Trump's campaign pledges to cut taxes and boost infrastructure spending, coupled with the sell-off in yield-bearing securities, suggests that investors could be reallocating capital in case the U.S. economy strengthens moving forward, in our opinion. In other words, adopting a pro-growth bias.
8. We'll monitor to see if cyclical sectors, such as Information Technology and Materials, continue to garner more favor from investors than the more traditional high dividend-paying stock sectors.

This chart is for illustrative purposes only and not indicative of any actual investment. The illustration excludes the effects of taxes and brokerage commissions and other expenses incurred when investing. Investors cannot invest directly in an index. The S&P 500 Index is a capitalization-weighted index comprised of 500 stocks used to measure large-cap U.S. stock market performance, while the 11 major S&P 500 Sector Indices are capitalization-weighted and comprised of S&P 500 constituents representing a specific sector.